

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6746

BILL NUMBER: HB 1462

NOTE PREPARED: Dec 28, 2004

BILL AMENDED:

SUBJECT: Sales Tax Deposits.

FIRST AUTHOR: Rep. Goodin

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases from \$1,000 to \$2,500 the maximum average monthly liability for Sales Taxes that a retail merchant may accrue without being required to make monthly deposits with the Department of State Revenue.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This provision will have a minimal administrative impact on the Department of State Revenue (DOR).

Explanation of State Revenues: Increasing the average monthly Sales Tax liability threshold that determines when a retailer must remit Sales Tax collections to the DOR would impact Sales Tax collections in FY 2006. This shift would effectively reduce FY 2006 Sales Tax revenue by up to \$17.9 M and shift these collections into the future.

Under current law, retailers with an average monthly Sales Tax liability over \$1,000 are required to remit monthly Sales Tax collections to the DOR by the 20th day of the month following the month in which the taxes were collected from the customer. Smaller retailers, with an average monthly liability of \$75 to \$1,000, may remit their Sales Tax collections by the 30th day of the following month. This bill increases the threshold that determines when a retailer must remit Sales Tax collections so that filers with an average monthly Sales Tax liability of \$1,000 to \$2,500 may also remit their Sales Tax collections to the DOR by the 30th day of the month following that in which the tax was collected. Since retailers are required only to have their remittances postmarked by the due date, remittances made on the 30th are not posted to DOR accounts until the following

month. Collections that must be postmarked by the 20th are typically posted to DOR's accounts in the same month in which they are remitted. This bill has the potential of causing a one-month lag in collections in FY 2006.

According to DOR data, approximately 11,200 retailers would be affected by this proposal.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Bob Walls, Department of State Revenue, 317-232-2104.

Fiscal Analyst: Adam Brown, 317-232-9854.